Management Discussion and Analysis

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the three and six months ended June 30, 2009 has been prepared as of July 22, 2009. The discussion below should be read in conjunction with the unaudited interim consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2009 and the audited consolidated financial statements of the Company for the year ended December 31, 2008. The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in financial tables, except per share amounts, are expressed in thousands of Canadian or U.S. dollars unless otherwise indicated.

Additional information relating to the Company, including the Company's most recent Annual Information Form, are filed with securities regulatory authorities in Canada and are available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This document includes "forward-looking information" and "forward-looking statements", within the meaning of applicable securities legislation. All statements other than statements of historical fact are forward-looking statements. Forward-looking information and statements are based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Forward-looking information and statements are frequently identified by the use of words such as "may", "will", "could", "believe", "intend", "expect", "seek", "anticipate", "plan", "continue", "estimate", "predict", "potential" and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information and statements are included in the "Outlook" section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward looking information and statements regarding, among other things, the effects of the Company's mining strategy on gold recovery rates and the environmental impact at its Atlanta project, the expected enhancement of the gold resource at Atlanta following completion of additional exploration, the completion of a pre-feasibility study on the Atlanta project, the ability to obtain requisite permits and water rights, the completion, size, timing of and use of proceeds from future financings, the completion and impact on the Company of a proposed asset acquisition from and sale of concentrate to Newmont USA Limited, the Company's ability to maintain its listing on the Toronto Stock Exchange, the nature and extent of exploration and rehabilitation plans for 2009 and the time needed to commence production at Atlanta.

Forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking information and statements and readers are cautioned not to unduly rely on such forward-looking information and statements and to carefully consider the risks and uncertainties involved with respect to such information and statements. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to fund the capital and operating expenses necessary to achieve its business objectives and to continue as a going concern, risks associated with the mining industry (including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of drill results and the geology, continuity, grade and reserve and resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain and the expected time to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks), adverse weather conditions, the risk of resource prices and foreign exchange rate fluctuations and the risk of the Company's common shares being delisted by the Toronto Stock Exchange. Further information on the risks and uncertainties is described herein under "Uncertainties and Risk Factors" and in the Company's 2008 Annual Information Form under "Risk Factors".

Readers are cautioned that the foregoing list of risks, uncertainties and other factors is not exhaustive. The Company undertakes no obligation to update publicly or revise any forward-looking information and statements or the foregoing list of factors, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

The Company is engaged in the exploration and development of the Atlanta Gold project ("Atlanta"), an advanced-stage gold property near Atlanta, Idaho, U.S.A. The Company has also staked 6,800 acres in Rocky Bar, located 17 miles south west of Atlanta. Both Atlanta and Rocky Bar are historic gold mining areas.

In early 2008, the Company changed the mining strategy for Atlanta from bulk mining and cyanide heap leaching, to a combined shallow open-pit and underground operation with an on-site milling facility with no cyanide circuit. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will also reduce the environmental footprint by 95% and increase expected metal recovery rates from 63% to 90%. Each of these improvements is critical to the sustainable development of the Atlanta gold mine.

This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts. Management is confident that by continuing to work closely with environmental groups, the town of Atlanta and surrounding communities, federal, state and local agencies as well as other stakeholders, it will be successful in obtaining the regulatory approvals necessary to develop a combined shallow pit and an underground mine at Atlanta in a timely manner.

In the second quarter of 2009, the Company reached agreements with Newmont USA Limited as set out in the "Agreements with Newmont USA Limited" section. These agreements represent a significant step forward which will greatly assist the Company's efforts to advance development of the Atlanta project towards production. Completion of these transactions will secure a market for Atlanta's concentrate production. It will also provide y infrastructure on favourable terms necessary to advance development of the Atlanta gold mine, allow the Company to conserve cash, significantly reduce the Company's future capital costs and support the Company's continuing financing efforts.

In the second quarter of 2009, the Company renewed its lease and option to purchase a strategically significant 658.9 acre property located at its Atlanta project for a further two years as set out in the "Contingencies and Commitments" section.

The Company plans to complete a Pre-Feasibility Study early in the third quarter of 2009 and continue expansion and upgrading of resources in 2009 while continuing to advance the Atlanta gold project toward production.

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec (“Abitibi”), the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island (“Brodeur”) and the Torngat diamond property located in Northern Québec (“Torngat”). Details and a discussion of the Abitibi property are included in the “Capital Expenditures” section of this MD&A.

Plan for Operations - 2009

During the first quarter of 2009, the Company completed an updated National Instrument 43-101 (“NI43-101”) Technical Report and Resource Estimate for Atlanta which confirmed a 48.4% increase in Measured and Indicated Resources since the end of 2007. The Company plans to complete a Pre-Feasibility Study early in the third quarter of 2009 and continue expansion and upgrading of resources in 2009.

The private placement financing completed in February 2009 primarily funded technical work on Atlanta, including the preparation of an Internal Pre-Feasibility Study of the NI43-101 Measured and Indicated resource of 475,000 equivalent ounces at Atlanta. This Study will be based on a combined shallow open pit and underground mining operation producing approximately 300,000 tons of ore per year, and will envision production and sale of smelter-grade gold and silver concentrates to smelters in Nevada. In conjunction with the Pre-Feasibility Study, the Company is developing a business plan which contemplates initial annual production estimated to be 40,000 ounces of gold through the use of an 800 ton per day mining and gravity-flotation milling operation. Based on a nominal production rate of 800 tons of ore per day or 275,000 tons of ore per year, average annual production over the 12-year mine life is forecast to be 40,000 ounces of gold contained in 15,000 tons of concentrate. Subject to timely receipt of adequate funding, the Company plans to begin mining at Atlanta in the third quarter of 2010 and produce concentrates in the fourth quarter of 2010.

The timing and the extent of drilling, exploration and other activities for the remainder of 2009 are dependent upon availability of funding. Measures first implemented during the first quarter of 2009 to reduce general and administrative and project expenditures are continuing.

The Company estimates that it will require funding of approximately $2 million to maintain its operations at a reduced level for the balance of 2009. To complete all of its planned expenditures for 2009, the Company estimates that its total funding requirement for the remainder of 2009 will be approximately $8 million. The Company announced in July 2009 its intention to complete a private placement financing of common shares at a price of $0.29 per share for gross proceeds of up to $3 million. Successful completion of the latter financing, expected to be completed in the third quarter of 2009, will provide short-term funding to achieve the following:

1. excavate and sample 5,000 feet (1,524 metres) of trenches to further evaluate the near surface potential of the Atlanta Shear Zone. The 2008 trenching program exposed and identified significant gold-bearing mineralization in 22 out of 25 trenches. All samples taken above the Atlanta Shear Zone had anomalous gold;

2. commence rehabilitation of the first 800 feet (244 metres) of the historic 900 Adit;

3. redesign reclamation ponds at the 900 Adit to enhance environmental performance;

4. continue enhancement of Atlanta's environmental performance, including ongoing removal of naturally-occurring arsenic from historic water effluents;

5. continue collaboration with local communities, environmental, regulatory and other stakeholders; and

6. evaluate alternative sites to accommodate infrastructure related to the Atlanta project.

Subject to completion of additional intermediate term funding of $5 million, the Company also plans to achieve the following objectives in 2009:

a. subject to obtaining regulatory approvals, commence rehabilitation of the next 1,475 feet (450 metres) of the 900 Adit and complete a 12,000-foot (3,658-metre) underground drilling program from the 900 Adit;

b. complete 12,000 feet (3,658 metres) of shallow core drilling to a depth of 400 feet (122 metres) on the East Extension, West Monarch and Idaho zones;

c. complete 33,000 feet (10,058 metres) of core drilling to an intermediate depth of 1,200 feet (400 metres) on the East Extension and Monarch zones; and

d. secure economic, environmental and technical studies and water rights and permits required to advance the project to production.

The Company is presently pursuing several alternative sources of funding including equity or debt financing. Assuming that short and intermediate term financing aggregating $8 million is obtained, management expects to increase the mineral resource inventory at Atlanta to 600,000 equivalent ounces of gold by December 31, 2009, commence mining at Atlanta in the third quarter of 2010 and produce concentrates in the fourth quarter of 2010.

Like all similar mining projects, Atlanta has its challenges but the combination of a proven record of historical production, a Shear Zone with an 11,400-foot strike length and numerous splays branching off to the north and south of the main Shear, significant depth potential and multi-million ounce potential, presents what management believes to be an outstanding value proposition.

Agreements with Newmont USA Limited

In the second quarter of 2009, the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("Atlanta Gold") reached an agreement in principle with Newmont USA Limited, a wholly owned subsidiary of Newmont Mining Corporation ("Newmont") to purchase certain fixed assets, including two buildings, four 2,200-horsepower electrical generators, two water treatment plants and other equipment. The initial purchase is for US$1 million, with additional plant and equipment as may be agreed to by the parties, to be purchased for up to an additional US$500,000. The aggregate purchase price of up to US$1,500,000 will be satisfied by the Company issuing up to 6,000,000 common shares at a price of US$0.25 per share. Upon completion of the US$1.5 million transaction, Newmont will own approximately 9.75% of the Company's outstanding common shares.

Completion of the purchase of the fixed assets is subject to satisfactory completion of the Company's due diligence review of such assets, completion of final documentation, all required regulatory approvals and other customary conditions.

In the second quarter of 2009, Atlanta Gold and Newmont also agreed in principle that Newmont will purchase and process the gold-silver concentrate to be produced from Atlanta on terms to be negotiated. At the pilot-scale Atlanta mill, ore containing gold and silver will be crushed to a coarse size and then transported from the mine to a concentrator, where it will be finely ground and then treated by successive stages of flotation, resulting in a concentrate containing approximately 2-3 ounces of gold per ton. Gold recovery is expected to be 90%, using conventional milling, gravity separation and flotation techniques to produce the concentrate. The gold-silver concentrate will be delivered by the Company to Newmont's flotation concentrate autoclave plant in Nevada which is within a one-day return trucking distance from Atlanta, Idaho.

Management believes that completion of these transactions with Newmont will represent a very important milestone for the Company as they will secure a market for the Company's concentrate, provide necessary infrastructure on favourable terms to advance development of the Atlanta gold mine, allow the Company to conserve cash, significantly reduce the Company's future capital costs and support the Company's continuing financing efforts

Overview of Financial Results

Equity Financing

The Company raised gross proceeds of $867,600 ($837,550 net of share issue costs) in the first quarter of 2009 by completing a non-brokered private placement of 8,676,000 common share units ("Units") at $0.10 per Unit with each Unit consisting of one common share of the Company and one half of one common share purchase warrant. Each full warrant ("Warrant") is exercisable at $0.25 per share for up to 24 months, with the Company having the right to accelerate the expiry date of the Warrants if the closing price of the Company's common shares on the Toronto Stock Exchange ("TSX") exceeds $0.50 for twenty consecutive trading days on which the Company's shares trade.

During the third quarter of 2009, the Company intends to raise additional gross proceeds of up to $3 million by completing a non-brokered private placement of up to 10,344,828 common share of the Company at a price of $0.29 per share. Timely completion of this financing and completion of additional equity or debt financing later in 2009 will enable the Company to substantially achieve its objectives for 2009 and remain on track for commencement of production at Atlanta in the third quarter of 2010.

Proceeds from these placements have been and will be principally used for permitting and exploration expenditures in respect of the Company's Atlanta gold project, and for general working capital purposes. In accordance with the rules of the TSX, the placements completed in December 2008 and February 2009 were done so in reliance on the financial hardship exemption which permitted the placements to be completed without shareholder approval. As a result of the Company's reliance on this exemption, the TSX commenced a routine review of the Company's continued listing on the TSX. The Company has until September 4, 2009 to establish compliance with the TSX's continuing listing requirements. Subject to completing a significant portion of the intended $3 million private placement, the Company expects to be able to establish compliance but should it fail to do, the TSX may suspend trading in and ultimately delist the common shares of the Company.

In the second quarter of 2009, the Company reached an agreement in principle with Newmont USA Limited to issue up to 6 million common shares at a price of US$0.25 per share, to purchase certain fixed assets. Following completion of the transaction, Newmont will own approximately 9.75% of the Company's outstanding common shares. Please see "Agreements with Newmont USA Limited".

Liquidity and Capital Resources
Cash as at June 30, 2009 was $380,000 compared to $418,000 as at December 31, 2008 and $1,296,000 at June 30, 2008.

The decline of $38,000 for the six months ended June 30, 2009, compared to an increase in cash of $1,051,000 for the comparative six months ended June 30, 2008, is due primarily to receipt of proceeds of $1,338,000 in respect of a financing completed in February 2009 and receipt of subscription proceeds of $500,000 in respect of the financing to be completed during the third quarter of 2009, incurring expenditures of $560,000 on Atlanta and the repayment of $207,000 in net payables to suppliers during the first half of 2009.

In comparison, the Company raised proceeds of $5,600,000 ($5,517,000 net of share issue costs) from private placements and incurred $1,827,000 in expenditures and fixed asset purchases at Atlanta, and repayment of $1,626,000 in net payables to suppliers during the first half of 2008.

Working capital surplus as at June 30, 2009 was $199,000 compared to a surplus of $860,000 as at June 30, 2008. Cash used in operations for the first six months of 2009 was $816,000 compared to $2,640,000 for the comparative period ended June 30, 2008, reflecting lower payments paid to Atlanta suppliers and higher non-cash expenses incurred during the first half of 2009. Cash generated from financing activities was $1,338,000 for the first half of 2009 compared to $5,517,000 for the comparative period ended June 30, 2008. Cash used for investing activities for the first half of 2009 was $560,000 compared to $1,827,000 for the comparative period ended June 30, 2008.

The economic downturn has impacted the Company's share price and limited its fund-raising ability. Although the Company raised approximately $2.5 million in equity financing from December 2008 to February 2009 in very difficult financial markets, it has experienced delays in obtaining additional financings which has caused the Company to operate on a more restrained basis. Due to the global economic uncertainty, the Company reviewed all discretionary expenses and implemented a cash conservation plan, which included a voluntary reduction in management salaries. This plan will require funding of approximately $2 million to maintain Company operations at a reduced level with a smaller workforce, complete the internal pre-feasibility study, rehabilitate the first 800 feet of the 2,275-foot long historic 900 Adit, continue with environmental improvements and community support initiatives and incur sufficient expenditures to meet minimum contractual commitments at Atlanta to December 31, 2009.

Conversely, to achieve the 2009 program objectives as set out in the "Plan for Operations – 2009" section and stay on track to commence production in the third quarter of 2010, the Company will require funding of approximately $8 million to cover capital and operating expenses to December 31, 2009. If delays occur in raising such funds, the Company will not be able to achieve all of its 2009 objectives or commence production in the third quarter of 2010. The Company expects to raise gross proceeds of up to $3 million by completing a non- brokered financing in the third quarter of 2009. Subscription proceeds of $500,000 in respect of this financing had been received as at June 30, 2009.

Equity

As at June 30, 2009, the Company had (a) 55,548,876 common shares issued and outstanding (December 31, 2008 – 46,872,876); (b) stock options outstanding to purchase 4,616,668 common shares (December 31, 2008 – 2,016,668) at exercise prices ranging from $0.30 to $4.28 per share and expiring between November 2009 and April 2014; and (c) Warrants to purchase 12,500,000 common shares of the Company at an exercise price of $0.25 per share, expiring between December 2010 and February 2011. In certain instances, the expiry dates of the Warrants may be accelerated by the Company. Shareholders' equity as at June 30, 2009 was $81,309,000 compared to $79,509,000 as at December 31, 2008. Stock options outstanding as at June 30, 2009 had a weighted-average exercise price of $0.50 per share (December 31, 2008 - $0.74 per share) and a weighted average life of 51 months (December 31, 2008 – 48 months).

General and Administrative Expenses

Corporate overhead expense declined during the second quarter of 2009 by $121,000 from that incurred in the second quarter of 2008 while such expenses were $1,030,000 for the six months ended June 30, 2009 as compared to $1,117,000 for the six months ended June 30, 2008. The decline in 2009 reflected the Company's cost reduction program which reduced expenses incurred for travel, investor relations, head office administration and interest. This reduction of $194,000 was partially offset by a $107,000 increase in stock based compensation expense for the first half of 2009 over that incurred in the comparable period of 2008, reflecting stock option grants made in February and April of 2009.

A $3,000 loss was realized from foreign exchange transactions during the first six months of 2009, compared to a loss of $8,000 incurred during the first six months in 2008, reflecting a relatively stable Canadian dollar relative to the U.S. dollar. With all of the Company's equity financings in Canadian dollars and expenses primarily in U.S. dollars, the Company is exposed to foreign exchange risk. The Company does not use derivative instruments to reduce its exposure to such risks.

Capital Expenditures

<u>Atlanta gold property, Idaho, USA:</u>

Expenditures in the second quarter of 2009 of $269,000 were focused on the Pre-Feasibility Study which is expected to be completed early in the third quarter of 2009, preparations to secure the portal at the historic 900 Adit and to rehabilitate the Adit, establishing a baseline and grid system and excavating and sampling trenches down to the C Zone and securing permits required to proceed with work on site. By comparison, expenditures in the second quarter of 2008 of $952,000 were incurred primarily in respect to assessing the potential for surface drilling and trenching, and the option of underground drilling to assess the underground potential of the Atlanta resource, after providing the State of Idaho with an exploration plan for 2008; securing water rights for Atlanta; and monitoring baseline water quality data in the project area.

<u>Rocky Bar gold property, Idaho, USA:</u>

In the second quarter of 2008, the Company filed location notices on 367 contiguous lode unpatented claims at Rocky Bar which cover approximately 6,880 acres (10.75 square miles). These claims are located 17 miles south west of Atlanta, and are regarded as being within Atlanta's field of interest. Located in the heart of the historic Rocky Bar mining district, these strategic claims were acquired by staking to accumulate viable open ground in and around Rocky Bar. By staking these additional claims, the Company has increased its total land holdings in Idaho by 331% to 9,077 acres (14.18 square miles). This property has the potential to host significant gold and silver mineralization, and has excellent logistics and infrastructure, including access to water and county-maintained roads.

However, the Company did not undertake any field work on Rocky Bar during the first half of 2009 given its limited cash resources.

<u>Abitibi gold property, Quebec, Canada:</u>

Pursuant to the terms of an agreement entered into with Breakwater Resources and Niogold Mining Corp. ("Niogold") in September 2008, the Company holds an option to acquire a 60% interest on a portion of the Abitibi property, which is comprised of the Malartic H, Malartic H Annex, Normar and Mouskor claims. The Company's option will be exercisable at no cost to the Company upon Niogold completing $1.2 million in exploration expenditures on the Malartic portion of the Abitibi property. If the option is exercised, the Company will acquire a 2% net smelter return royalty interest in the Malartic claims and a 60% ownership interest in the Normar and Mouskor claims. In May 2009, the parties agreed to extend the option period for one year from September 1, 2009 to September 1, 2010 and the Company received, as consideration for the extension, 75,377 common shares of Niogold, having an approximate market value of $15,000. Between August 2008 and February 2009, the Company paid $6,000 to renew and keep all of its Abitibi claims in good standing until at least September 2009.

The Company also has a 100% interest in an additional 13 mining claims in the Abitibi area.

The Abitibi properties are located in the prolific Malartic and Val-d'Or gold mining camps which are in close proximity to the full-service mining towns of Val-d'Or and Malartic with access to gold milling facilities, provincial highway, railroad, power line, telecommunication systems and an experienced labour force.

Contingencies and Commitments

All amounts in this section are expressed in thousands of Canadian dollars, except in respect of Atlanta, which are expressed in thousands of U.S. dollars).

The Company has made commitments in respect of its head office leases and mineral properties as follows:

	Years 1-2	**Years 3-4**	**Beyond Year 4**
Head office	6	8	1
Atlanta (1)(2)	650	30	30

1. *Pursuant to an amendment to one of the Atlanta lease-purchase option agreements,US$64,500 of a final option payment of US$120,000 which was due in December 2006, will be repaid in two installments to December 2010, and include accrued simple interest of 5% per year.*
2. *Pursuant to an amending agreement dated April 30, 2009 with Monarch Greenback, LLC, the Company has renewed its Mining Lease and Option to purchase a 658.9-acre property located at its Atlanta Gold project in Idaho, U.S.A. for a further two years until April 30, 2011. Under the terms of the agreement, the Company has the right to acquire a 100% interest in the property subject to a floating rate net smelter return royalty with a maximum rate of 3.5%. The agreement requires optional annual lease payments and optional monthly payments totaling US$580,000 over the next two years to maintain the Option in good standing.*

Contingencies and commitments are described in Notes 4(a) and 10 to the Company's interim unaudited consolidated financial statements for the six months ended June 30, 2009.

Summary of Quarterly Results

Head office expenses of $388,000 incurred during the second quarter of 2009 were lower than expenses of $509,000 incurred during the same quarter in 2008, primarily reflecting a) lower salaries and management fees due to an officer of the Company agreeing to forego salary payments; b) lower professional fees, investor relation fees and travel costs incurred during the quarter; and c) lower office rent after relocating the head office premises in February 2009. Interest and other income earned in the second quarter of 2009 was lower compared to the same period in 2008, reflecting lower cash levels for the Company as at June 30, 2009, compared to cash levels as at June 30, 2008, after equity financings were completed in February and April 2008. The Canadian dollar has remained relatively unchanged relative to the U.S. dollar resulting in the Company realizing a $10,000 foreign exchange gain during the second quarter of 2009, as compared to a $1,700 loss incurred during the second quarter of 2008.

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of Canadian dollars (except per share data - basic and fully diluted)

Quarter ended	**Total Revenues *(4)***	**General and Administrative Expenses**	**Net Loss *(3)***	**Loss per share**
June 30, 2009	-	388	376 *(1)(2)*	0.01
March 31, 2009	-	642	707 *(1)(2)*	0.01
December 31, 2008	-	338	(380) *(1)*	(0.02)
September 30, 2008	-	465	499 *(2)*	0.02
June 30, 2008	-	509	547 *(2)*	0.02
March 31, 2008	-	608	769 *(2)*	0.03
December 31, 2007	-	293	9,274 *(1) (2)*	0.56
September 30, 2007	-	327	739 *(2)*	0.04

(1) Includes: (a) mineral property costs written off or expensed as follows: $3.3 during the second quarter of 2009, $1.7 during the first quarter of 2009, $184 during the first quarter of 2008, $10,952 during the fourth quarter of 2007, $4,895 during the fourth quarter of 2006, and (b) future income tax provisions (recoveries) taken as follows: $65 during the first quarter of 2009; ($1,613) during the fourth quarter of 2008; $48 during the third quarter of 2008; and ($504) during the fourth quarter of 2007.

(2) Includes stock based compensation expense charged as follows: $80 during the second quarter of 2009; $325 during first quarter of 2009; $38 during the fourth quarter of 2008; $116 during the third quarter of 2008; $81 during the second quarter of 2008; $217 during first quarter of 2008, $6 during the fourth quarter of 2007 and $6 during the third quarter of 2007.

(3) The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.

(4) Since the Company is a development-stage company, it does not generate any revenue.

The Company presently operates in two countries, Canada and the United States. The Company has an interest in five mineral properties. Three are gold properties and two are diamond properties**.** The Company's activities since early 2008 have focused on its Atlanta gold property.

The level of the Company's development activities at Atlanta is impacted by winter weather conditions, resulting in lower overall levels of activity on the Company's properties during the winter season. However, as Atlanta advances toward the production stage and permanent facilities are constructed, the impact of adverse weather conditions on activity levels is expected to be reduced.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of all of its projects, except for Atlanta. The Company has determined that no charges had to be taken against Atlanta during the second quarter of 2009.

Outlook

Atlanta Gold Property

Over the past five years, gold has been unique as a commodity which has consistently increased in value year over year. In the current period of economic recession, as governments worldwide utilize deficit financing to provide economic stimulus, there is a consensus building that the price of gold will continue to increase. Major gold mining companies are having difficulty maintaining their resource / reserve base. This is expected not only to have a positive upward pressure on gold price, but also on the value of resources not currently in production.

As the Company continues to make progress building its resource base, and the associated environmental and economic framework at Atlanta, it expects that industry interest in this project will continue to develop. Support for this view may be found in the Company's recently announced agreements in principle reached with Newmont USA. The worldwide economic downturn has significantly increased the availability of equipment and skilled personnel. These changes are also expected to reduce future capital and operating expenses.

Management expects that the job creation potential for projects, such as Atlanta, which embrace the highest standards of environmental and social responsibility, will be recognized by the various governmental regulatory agencies.

The Atlanta project is important because it has significant potential for gold deposits that could provide substantial long-term economic and environmental benefits to the town of Atlanta, the surrounding communities and the State of Idaho, as well as to the Company and its shareholders.

The Company is seeking short to medium term financing in the second half of 2009, through equity and possibly debt financing, which will enable it to achieve its objectives for 2009 and remain on track for commencement of production at Atlanta in the third quarter of 2010. Consequently, the Company initially plans to complete an equity financing for up to $3 million in the third quarter of 2009. As at June 30, 2009, proceeds of $500,000 had been received in respect of this financing. If delays occur in raising such funds, achievement of the Company's objectives for 2009 and 2010, may also be delayed.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

As at June 30, 2009, there were no current liabilities owing to related parties. By comparison, as at June 30, 2008, current liabilities included $12,000 due to directors of the Company. In June 2009, the Company received $100,000 from a director of the Company in respect of a private placement expected to be completed in the third quarter of 2009. Also, during the second quarter of 2009, consulting fees of $17,000 were paid to an officer of the Company (2008 – $137,000 paid to three officers), and no interest expense was paid (2008 - $5,000 was paid) in respect of a loan made to the Company.

Future changes to significant accounting policies
(Please see the Company's 2008 Annual Management Discussion & Analysis ("Annual MD&A") and notes to the Annual Consolidated Financial Statements, which are available at www.sedar.com, for full details and discussion of this section)

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract effective for fiscal periods beginning January 1, 2009 when testing for impairment of mineral properties in the period and no impairment adjustments were required.

International Financial Reporting Standards
In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB and the CICA confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011 with appropriate comparative data from the preceding year. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011.

Consequently, the Company will continue to present its results for the years ended December 31, 2009 and 2010 using contemporary Canadian GAAP. In 2011, the Company will be required to restate for comparative purposes amounts reported for 2010 using Canadian GAAP to reflect contemporary IFRS. To accomplish this, commencing in fiscal 2010, the Company will maintain accounting records in accordance with both Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011.

Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. The Company is continuing to assess the level of disclosures required and any necessary system changes to gather and process information.

The Company has begun its initial planning process for the IFRS conversion. The Company continues to monitor standards development as issued by the International Accounting Standards Board and the Canadian Institute of Chartered Accountants Accounting Standards Board, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, as required, analysis of key differences between IFRS and Canadian GAAP and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. Management will provide regular updates on the progress of the conversion project to the Company's Audit Committee, Board of Directors and external auditors and disclose key elements of our plan and processes as information becomes available during the transition period.

The changeover will include:

1. A diagnostic assessment of the key impact areas and a detailed assessment of accounting and measurement differences between IFRS and Canadian GAAP on current accounting policies, as well as new policies anticipated to be implemented as the Company transitions to becoming a gold producer, and

2. Retention of financial advisors to provide technical and process management assistance for the conversion.

This will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS principles in business processes, and Audit Committee approval of IFRS financial statements.

The Company’s first financial statements completed under IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing extensive transitional information and full disclosure of all new IFRS policies.

Critical accounting estimates

Going Concern

These consolidated interim financial statements of the Company for the three and six months ended June 30, 2009 and 2008 were prepared in accordance with GAAP applicable to a going concern which assumes that the Company will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, these interim consolidated financial statements do not include any adjustments for the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

While these interim consolidated financial statements were prepared on the basis of accounting principles applicable to a going concern, to date, the Company has not earned significant revenues and is not considered to be in operation. Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable reserves, the preservation of the Company’s interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditure.

As at June 30, 2009, the Company’s current assets exceeded its current liabilities by $199,000. The Company recorded a loss of $376,000 for the three months ended June 30, 2009 and reported an accumulated deficit of $51,069,000 as at that date. These circumstances can affect its ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company continues to explore all available options to secure additional funding, including by means of equity and debt financing, sale of non-core assets and formation of strategic partnerships. Nevertheless, it is not possible to determine with any certainty the success or adequacy of these initiatives.

Asset Impairment

In preparing these financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that materially affect the consolidated financial statements and involve a significant level of judgment by management. Management's critical accounting estimates were made in respect of the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as plant and equipment, investments, restoration and post-closure costs, accounting for income and mining taxes, mineral reserves, contingencies and pension, stock options and warrants, and other post retirement benefits.

Changes to Internal Controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the second quarter of 2009 that have affected or which are reasonably likely to materially affect the Company's internal control over financial reporting.

Share Capital

As at July 22, 2009, the Company had 55,548,876 common shares outstanding, incentive stock options outstanding to purchase 4,616,668 common shares at prices ranging from $0.30 to $4.28 per share for terms ending between November 2009 and April 2014. The Company also has warrants outstanding to purchase 12,500,000 common shares at a price of $0.25 per share, exercisable between December 2010 and February 2011.

Uncertainties and Risk Factors

The Company does not currently hold any interest in a mining property in production and its future success depends upon its ability to find, develop, exploit and generate revenue from mineral deposits. Exploration and development of mineral deposits involve significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and there can be no assurance that any of the Company's current projects will ultimately be developed into a profitable mining operation. A number of factors beyond the control of the Company may affect the marketability of any diamonds, gold or any other minerals discovered. Resource prices have fluctuated widely and are beyond the Company's control. Revenue and profitability will be determined by the relationship of the Company's production costs and in respect of gold, the recovered grade of gold and in respect of diamonds, the relative quality of the diamonds extracted, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing will result in delay or indefinite postponement of further exploration and development of the Company’s properties with the possible dilution or loss of such interests. The operations of the Company require licenses and permits from various governmental authorities and while the Company currently holds all necessary licenses and permits required to carry on its activities and believes it is complying with such licenses, permits and all applicable laws and regulations, such licenses, permits and laws are subject to change and there can be no assurance that the Company will in future be able to obtain all necessary licenses and permits. Furthermore, the cost of complying with changes in governmental laws and regulations has the potential to reduce the profitability of future operations. The acquisition of title to mineral projects is a very detailed and time-consuming process and although the Company has taken precautions to ensure that legal title and interest to its properties are properly recorded, there can be no assurance that the interests of the Company in any of its properties may not be challenged or impugned. In management’s view, there has been no material change in the nature or magnitude of any of the risks faced by the Company during the second quarter of 2009.

July 22, 2009